Public-Private Partnerships in Transportation

By: Thornton J. Williams
Williams Wilson & Sexton, P.A.

PART THREE OF OUR THREE PART SERIES ON P3s

Just as the private sector plays an integral part in Public-Private Partnerships or P3s, the public or governmental role is also a significant contributor in the success of the P3 model to meet Florida's growing transportation needs. In the final section of our three part series on public-private partnerships, we conclude our series with a look at the public sector's perspective on P3s and how to increase their success in the transportation industry.

As a recap, in part one of our series, we presented an overview of P3s as an innovative model being utilized by the transportation industry to meet Florida's highway transportation needs. In part two of our three part series, we discussed the key issues and concerns of the private sector in the formation, operation, and ultimate success of P3s. Now we will turn our attention to the goals and objectives of the public sector in execution of transportation projects through public-private partnerships.

According to the 2005 final report of the Federal Highway Administration (FHWA) and the Office of the Secretary of Transportation from the Partnerships in Transportation Workshops, interest in public-private partnerships in transportation has been growing in recent years, fueled by a convergence of issues including "the escalating costs of highway system preservation, the ever increasing need to improve the performance of transportation infrastructure, the slowing growth of fuel taxes and other traditional highway revenue sources, and the downsizing within state transportation agencies."

This in turn has led to increased efforts by federal and state transportation agencies to rely on partnerships with the private sector to help address these challenges. Public agencies determine the scope of a public-private partnership based on their specific transportation needs and policy objectives. P3 agreements usually involve a government agency contracting with a private company to construct, operate, maintain, and/or manage a transportation project, facility or system where the public sector retains final ownership of the project.

As previously touched upon in part two of our series, the public and private partnerships share some of the same goals and objectives, such as improved transportation services, enhanced technology and increased innovation. However, the public and private sectors also maintain independent goals and objectives for the formation of P3s and have differing perspectives and bring differing assets and skills to the table. The public sector plays a critical role in balancing the competing goals of the public and private sector to meet the public needs for improved transportation infrastructure and services.

Public agencies have as their main goal the improvement of public services and facilities through the most efficient use of public resources. Thus, public agency objectives in P3s are to improve public transportation facilities and systems in the most cost-efficient manner while decreasing the risks and increasing the rewards to both the public and private sector. As stated by FHWA on their website (http://www.fhwa.dot.gov/ppp), some of the primary reasons public agencies enter into P3s include:

- Accelerating the implementation of high priority projects by packaging and procuring services in new ways;
- Turning to the private sector to provide specialized management capacity for large and complex programs;
- Enabling the delivery of new technology developed by private entities;
- Drawing on private sector expertise in accessing and organizing the widest range of private sector financial resources;
- Encouraging private entrepreneurial development, ownership, and operation of highways and/or related assets; and,
- Allowing for the reduction in the size of the public agency and the substitution of private sector resources and personnel.

Additional criteria identified by the public sector as critical to the success of P3s included: a genuine and pressing need for a project that serves the public interest and addresses specific public needs such as improving transportation accessibility and mobility, encouraging economic development, or improving the environment; alignment with state or agency statutes, policies, and regulations; a financially feasible project with sufficient funding identified to pay for the project, including revenue sources and a financing plan; a detailed business plan that is performance-goals oriented; and improvements to standard project delivery through freed capital and new or additional revenue streams; reduction in comparative capital, maintenance, and/or operations expenditures; earlier completion and faster construction due to innovative financing, design, or construction techniques; and improved achievement of project goals.[1]

In conclusion, P3s offer increased economic development and innovation to meet the demand for increased transportation infrastructure that has quickly surpassed governmental capital and resources. While public sector entities bring many assets to the table in public-private partnerships, it must be realized that for P3s to truly flourish, it requires the combined strengths and resources of both the public and private sectors.

[1] Federal Highway Administration (FHWA) and the Office of the Secretary of Transportation 2005 Partnerships in Transportation Workshops Final Report, http://www.fhwa.dot.gov/ppp/).

For additional information, please contact:

Thornton J. Williams
Managing Partner
Williams Wilson & Sexton, P.A.
215 South Monroe Street, Suite 600
Tallahassee, Florida 32301
Telephone (850) 224-3999
Facsimile (850) 224-0099
E-Mail: twilliams@twalaw.com

Word count= 821